



JOY HOFMEISTER  
STATE SUPERINTENDENT *of* PUBLIC INSTRUCTION  
OKLAHOMA STATE DEPARTMENT *of* EDUCATION

## MEMORANDUM

**TO:** The Honorable Members of the State Board of Education  
**FROM:** Joy Hofmeister  
**DATE:** April 23, 2020  
**SUBJECT:** Administrative Rule Promulgation

The State Board of Education will be taking action at the April meeting on the following proposed administrative rule change pursuant to the *Oklahoma Administrative Procedures Act*, 75 O.S. § 250 *et seq.*:

### Emergency Rule

- (1) Title 210. State Department of Education  
Chapter 25. Finance  
Subchapter 5. Budgeting and Business Management  
**210:25-5-4. Accounting [AMENDED]**

An amendment is proposed to the administrative rule that addresses accounting guidelines for public schools. The existing rule requires school district accounting systems to operate in compliance with the Oklahoma Cost Accounting System (OCAS), which includes specific reporting codes for different categories of revenues and expenditures. **The new proposed subsection codifies due dates for the initial reporting of end-of-year revenues and expenditures for each fiscal year, to ensure any potential issues can be identified and corrected prior to the final certification of the data.**

Under the new provisions, public school districts and charter schools have from July 1 through September 1 of each calendar year to submit the year-end financial report for the fiscal year that ended on June 30. Then, from September 1 through September 30, schools will have the opportunity to review and correct the previous fiscal year's revenue and expenditure data. By September 30, the school district superintendent or head of charter school must certify the data as finalized.

From October 1 to December 1, a school that can demonstrate good cause may appeal to the OSDE in writing for additional changes to the revenue and expenditure data. "Good cause" is defined for this purpose to mean that a miscalculation was made, or that relevant data was omitted from previously certified submissions. If a school is determined to have demonstrated good cause under these criteria upon review of the appeal by the OSDE, the changes to the data identified by the appeal will be authorized.

This submission and review process for public school finance data will help schools verify they have reported their revenues and expenditures accurately, avoiding any statutory penalties that would have been associated with certifying inaccurate data as finalized.

**TITLE 210. STATE DEPARTMENT OF EDUCATION  
CHAPTER 25. FINANCE  
SUBCHAPTER 5. BUDGETING AND BUSINESS MANAGEMENT  
PART 1. IMPLEMENTATION**

**210:25-5-4. Accounting**

(a) The financial structure of an Oklahoma public school district consists of various classifications as referenced in Oklahoma Administrative Code (OAC) 210:25-7-1, (Oklahoma Cost Accounting System [OCAS]). School District accounting systems shall be organized and operated on a basis that assures legal compliance by the recording and summarizing of financial transactions within funds, each of which is completely independent of any other. Each fund shall account for and continually maintain the identity of its revenues and expenditures. Financial transactions for purposes of this regulation and as referenced in 70 O.S. 2001, § 5-135.2 shall be defined as a detailed reporting of revenue within the Source of Revenue dimension. Revenue shall be reported to the bold codes within each of the following broad categories: District Source of Revenue, Intermediate Source of Revenue, State Source of Revenue, and Federal Source of Revenue. Expenditures shall be reported by the bold codes within the Function dimension as follows: Instruction, Support Services-Students, Support Services-Instructional Staff, Support Services-General Administration, Support Services-School Administration, Support Services-Central, Operation and Maintenance of Plant Services, Student Transportation Services, Child Nutrition Programs Operations, Community Services Operations and Facilities Acquisition and Construction Services. Additional dimensions for Revenue and Expenditures are coded to provide classification by Fiscal Year, Fund, Project Reporting, Object, Program, Subject, Job Classification, and Operational Unit, where applicable.

(b) Beginning July 1 but no later than September 1 of each year, every school district and charter school board of education shall prepare and submit to the State Department of Education, through the Oklahoma Cost Accounting System (OCAS), a statement of actual income and expenditures of the district or charter school for the fiscal year that ended the preceding June 30. The year-end financial report recording and summarizing all revenue and expenditure financial transactions will be completed and certified locked on the due date or before September 1 of the applicable year. For purposes of the OCAS system, "locked" means that the data submitted has passed the system's initial edit checks and the district has finalized the submission. To assure the validity and accuracy of financial reporting and accounting, between September 1 and September 30 of each year, school districts and charter schools shall have the opportunity to review and make corrections to the data submitted. By September 30, the data submission shall be certified by the district superintendent or head of charter school. If the school district or charter school does not report any inaccuracies by September 30, the State Department of Education will rely on the data submitted and certified by the school district or charter school to be complete and closed. Upon good cause demonstrated, between October 1 and December 1, a school district or charter school may appeal, in writing, to the State Department of Education for additional changes to the data. For purposes of this Subsection, "good cause" means that a miscalculation was made or that relevant data was omitted from the previously certified submission. The State Department of Education will review the appeal and, if it is determined good cause has been demonstrated as defined in this Subsection, the identified changes to the previously certified data will be authorized. Nothing in this Section shall preclude the State Department of Education or the State Board of Education from conducting regular or periodic reviews of school district or

charter school financial records as authorized by law and ensuring a public school operates pursuant to the OCAS system.

~~(c)~~ The school district must inform the Financial Accounting Section of the State Department of Education of any changes made at the district level to any of the financial transactions already submitted to the State Department of Education. Further, none of the data submitted by Law can be changed or altered by either the school district or the Financial Accounting Section after December 15 of each year.

~~(d)~~(c) As referenced in 70 O.S. 2001, § 5-135.2 (B), the State Department of Education shall reduce the monthly payment of a district's State Aid funds if the district is not operating pursuant to said the OCAS system. Upon final determination, including but not limited to the process set forth in subsection (b), the reduction of monthly payments shall begin with the first day that the school district or charter school was determined to not be operating in compliance with the OCAS system. The reduction may be waived by the State Board of Education if the school district or charter school can demonstrate that failure to operate pursuant to the OCAS system was due to circumstances beyond the control of the district or charter school, and that every effort is being made to operate in compliance with the OCAS system. Not operating pursuant to said system shall be defined as a district not:

- (1) accurately recording and reporting all revenue and expenditures by applicable OCAS bold code dimensions;
- (2) submitting OCAS financial records on time and as required, including as provided in subsection (b), via the Web-based system of all recorded and reported revenue and expenditures by applicable OCAS bold code dimensions to the State Department of Education;
- (3) ascertaining that current and accurate applicable OCAS codes are being utilized as updated and maintained by the State Department of Education;
- (4) complying with regulations as outlined in OAC 210:25-3-7 (Financial information processing), OAC 210:25-5-10 (The encumbrance clerk), OAC 210:25-5-11 (The school district treasurer), or OAC 210:25-5-13 (School activity fund);
- (5) reconciling all recorded and reported revenue and expenditures by applicable OCAS bold code dimensions by balancing data with bank receipts and statements, purchase orders, warrant registers, investment ledgers, and all balance sheet accounts; and

(e) For appropriated funds, all indebtedness should be encumbered (have a purchase order issued and be recorded) on the day the obligation is incurred, rather than when it becomes due, and supporting documentation should be provided for all indebtedness.

(f) Upon the approval of the State Board of Education, school districts may make capital expenditures up to a maximum amount of \$50,000 (fifty thousand dollars) during the current fiscal year within the General Fund pursuant to 70 O.S. 2001, § 1-117, if the school district meets the established criteria as outlined in the Statutes. School districts shall be voting the maximum five (5) building fund mills. General Fund monies authorized by the State Board of Education for expenditures must be expended within the current fiscal year. Any such funds encumbered as of June 30th of the current fiscal year, but not expended by November 15th of the subsequent fiscal year, shall lapse and return to the original purpose of such funds.

(g) A school district shall be authorized to utilize general fund monies for capital expenditures, in addition to the amount specified in subsection (c), pursuant to the provisions of 70 O.S. 2001, § 1-117.

(h) Inventory cards or data processing records shall be kept on all equipment and removable fixtures, showing purchase order number when known, date of purchase (when known, if not known an estimated date shall be used), amount of purchase (if known, if not known present value must be estimated) a description of the item, the serial number (when applicable) and the location of the item. New purchases shall be included in the records on the same day in which they are physically received by the district. Disposed equipment must be removed from the records on the disposal date and a detailed description of the circumstances which results in the disposal recorded. Disposed equipment should not be included in the records of future years.

## **STATUTORY AUTHORITY FOR 210:25-5-4**

### **Oklahoma Statutes**

#### **Title 70. Schools**

##### **Chapter 1 - School Code of 1971**

##### **Article V - School Districts and Boards of Education**

##### **Section 5-135.2 - Report of Financial Transactions and Costs - Reduction of Monthly Payment of District's State Aid Funds**

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A. For the 1991-92 school year, school districts shall report financial transactions for all funds, except for the school activity fund, using the Oklahoma Cost Accounting System, as adopted by the State Board of Education pursuant to Section 5-135 of this title. Costs shall be reported by curricular subject area where applicable. For the 1992-93 school year and in each subsequent school year, school districts shall report financial transactions for all funds using the Oklahoma Cost Accounting System. Costs shall be reported by curricular subject area where applicable.

B. Beginning July 1, 1991, and in each subsequent school year, the State Department of Education shall reduce the monthly payment of a district's State Aid funds if, at the time of such payment, the district is not operating pursuant to the Oklahoma Cost Accounting System. The amount of the reduction shall be one percent (1%) for the first payment, two percent (2%) for the second payment, three percent (3%) for the third payment, four percent (4%) for the fourth payment, and five percent (5%) for each subsequent payment. The reduction may be waived by the State Board of Education if the district can demonstrate that failure to operate pursuant to such system was due to circumstances beyond the control of the district and that every effort is being made by the district to operate pursuant to such system as quickly as possible.

C. No later than September 1 each year, every district board of education shall prepare a statement of actual income and expenditures of the district for the fiscal year that ended on the preceding June 30. The statement of expenditures shall include functional categories as defined in rules adopted by the State Board of Education to implement the Oklahoma Cost Accounting System pursuant to Section 5-135 of this title.

D. No later than September 1 each year, every school district shall transmit a copy of the income and expenditures data required pursuant to subsection C of this section to the State Department of Education. The Department shall post the income and expenditure data on the Internet web site for the Department in a form that is accessible to the public.

**Rule Impact Statement 210:25-5-4**  
**"Accounting" [AMENDED]**

**a. What is the purpose of the proposed rule change?**

The administrative rule that addresses accounting guidelines for public schools is being amended to add submission and review windows for required reports of school finance data. Existing statute and rule provisions require school district and charter accounting systems to operate in compliance with the Oklahoma Cost Accounting System (OCAS), which includes specific reporting codes for different categories of revenues and expenditures. The new proposed subsection codifies due dates for the initial reporting of end-of-year revenues and expenditures for each fiscal year, to ensure any potential issues can be identified and corrected prior to the final certification of the data.

Under the new provisions, public school districts and charter schools have from July 1 through September 1 of each calendar year to submit the year-end financial report for the fiscal year that ended on June 30. Then, from September 1 through September 30, schools will have the opportunity to review and correct the previous fiscal year's revenue and expenditure data. By September 30, the school district superintendent or head of charter school must certify the data as finalized.

From October 1 to December 1, a school that can demonstrate good cause may appeal to the Oklahoma State Department of Education (OSDE) in writing for additional changes to the revenue and expenditure data. "Good cause" is defined for this purpose to mean that a miscalculation was made, or that relevant data was omitted from previously certified submissions. If a school is determined to have demonstrated good cause under these criteria upon review of the appeal by the OSDE, the changes to the data identified by the appeal will be authorized. This submission and review process for public school finance data will help schools verify they have reported their revenues and expenditures accurately, avoiding any statutory penalties that would have been associated with certifying inaccurate data.

This rule amendment is proposed for emergency adoption because the need for newly codified guidelines in this area became apparent in recent months, following the Administrative Procedures Act filing deadlines for 2020 permanent rule adoptions.

**b. What classes of persons will be affected by the proposed rule change and what classes of persons will bear the costs of the proposed rule change?**

The rule change will affect public school districts and charter schools, and the OSDE Office of Financial Accounting.

**c. What classes of persons will benefit from the proposed rule change?**

The rule change will benefit public school districts and charter schools, by creating a dedicated period for schools to review their submitted year-end finance data and ensure the data is not certified as finalized while containing inaccuracies or other compliance issues.

- d. **What is the probable economic impact of the proposed rule upon affected classes of persons or political subdivisions?**

The agency does not anticipate any economic impact upon political subdivisions or affected classes as a result of implementation of the proposed rule change at this time.

- e. **What is the probable cost to the agency to implement and enforce the proposed rule change?**

The agency does not anticipate any cost to the agency to implement and enforce as a result of the proposed change in the rule at this time. Additional record keeping, if any, will be performed by existing staff.

- f. **What is the economic impact on any political subdivision to implement the proposed rule change?**

The agency does not anticipate any economic impact on any political subdivision to implement the proposed rule change at this time.

- g. **Will implementing the rule change have an adverse effect on small business as provided by the Oklahoma Small Business Regulatory Flexibility Act?**

The agency does not anticipate any adverse economic impact on small business as a result of the proposed rule change at this time.

- h. **Are there any other methods which are less costly, nonregulatory, or less intrusive to achieve the purpose of the proposed rule change?**

No.

- i. **Will the rule change impact the public health, safety, and environment, and is the change designed to reduce significant risks to the public health, safety, and environment? If so, explain nature of risk and to what extent the proposed rule change will reduce the risk.**

The agency does not anticipate any impact on public health, safety, or environment as a result of implementation of the proposed rule at this time.

- j. **What detrimental effect will there be on the public health, safety, and environment if the rule change is not implemented?**

The agency does not anticipate any detrimental effect on public health, safety, or environment as a result of failure to implement the proposed rule at this time.

k. **Date Prepared:** April 14, 2020